



DEFERRED COMPENSATION ADVISORY COMMITTEE

MINUTES

Thursday, June 26, 2008

For information about this meeting, contact the Deferred Compensation Program Office at (408) 975-1465 or email 457DefCompensation@sanjoseca.gov.

Chair Pascal Roubineau called the Deferred Compensation Advisory Committee meeting to order at 9:00 a.m. on Thursday, May 22, 2008, City Hall, Wing-118.

Roll Call

Pascal Roubineau, Chair
Julia Cooper
Trish Glassey
Conrad Taylor

Employees' Representative
City Manager's Representative
Employees' Representative
Police Representative

Excused Absence

Peter Jensen, Vice Chair
Donna Busse
Mark Skeen

City Manager's Representative
Management Employees' Representative
Firefighter Representative

Also Present

Patricia Diegnan
Jeanne Groen
Courtney Phommachack
Mike Ryder
Adora Gailo
Sue Bradford-Moore
Gary Bozin
Peter Belardinelli
Tina Smith
Paul Hackelman
Sue Bradford-Moore

City Attorney's Office
Human Resources, Deferred Compensation Secretary
Human Resources, Deferred Compensation Staff
Finance
Finance
Retiree
ING
ING
Human Resources, Deferred Compensation Staff
Consultant, SST Benefit
Retiree

9:00 – 10:15 A.M.

May 22, 2008

City Hall, Wing W118

APPROVAL OF MINUTES

1. Minutes of April 24, 2008

The minutes of the April 24, 2008 could not be approved because there is no quorum from that meeting.

2. Minutes of May 22, 2008

Member Glassey noted one correction under item 11, first line. Add Chuck Sklader's full name and capitalize "the".

M.S.C. (Glassy/Taylor) to approve the May 22, 2008 minutes as amended.

OLD BUSINESS

3. Fiscal Year 2008-2009 Budget Advocacy Verbal Update

Member Cooper reported that she had a conversation with Jennifer Maguire of the City Manager's Budget Office and from their perspective there is no need to fund travel for the whole Committee to attend. She suggested that we should get back to the "Train the Trainer" type of procedure and that's pretty much their standard throughout the organization. We had discussed having the retreat after the annual conference so that we can have members assigned or delegated to attend the different conference sessions so that they could come back and provide that information to the Committee and members of the public. Member Cooper explained that she was told that this is their standard even for enterprise funds.

Chair Roubineau stated that it's not whether or not he agrees with the decision but the fact they are placing limits on the Committee's decision making capabilities. The Committee discussed the consequences on the Deferred Comp budget if they went forward and spent the travel budget. After further discussion Chair Roubineau commented that the perception is that this is not a big enough issue to pursue since it's very rare that the entire committee would attend. Sue Bradford-Moore said that the last time she recalls the entire Committee attending the conference was seven years ago. After further discussion it is agreed that the matter has potential of becoming serious and warrants reviewing at a later date.

4. ING Contract Verbal Update

Jeanne Groen reported that they have satisfied looking at every single business term in the contract to ensure that they are reflected appropriately. Patricia Diegnan stated that the contract is being approved by Risk Management and should be ready to go. There was one change going back and forth between ING and the City and that had to do with ING changing the provision in the template that said they were acting as a fiduciary. Instead they said they are actually providing ministerial and administrative services and not fiduciary services but they would agree to adhere to the same standard as a fiduciary under the law. The Attorney's Office is very comfortable with that and it's not an issue for the City.

5. Discussion and Direction to Staff on Vacant Analyst Position

Jeanne Groen stated that in looking at setting up the recruitment for this position the issue of what level of position we should recruit for came up. When the reclassification/reallocation of the current two members, Courtney Phommachack and Stephanie Padilla, was done they looked at the duties they performed. There was a determination that their duties had grown and there was a classification change. They were upgraded. During the time of the allocation, the position of the Analyst that was formerly Dorothy Atchison then Cheryl Boston's, was actually vacant. So when the reallocation went through that position wasn't looked at from a team perspective. As a result, the Technician position was reallocated to an



Analyst and you couldn't have an Analyst position reporting to an Analyst. There was some concern as to whether or not that was an appropriate team structure.

When we started doing the job announcement and talking about the duties of the position the issue came up again because the duties of the position we're looking to hire exceed the requirements of an Analyst and are actually at a Senior Analyst level. The Human Resources Department is now looking at the position to determine if it is appropriately classified. Based on the job requirements of the position it is their function to determine the proper classification. This has delayed the ability to go out and recruit. We have brought in Amy Moody, a retiree that worked in the Benefits Division, on a part-time temporary basis to help out for the month of July. Jeanne Groen explained that they expect a response on the classification by the end of the month. The Human Resources Department will have to do the reallocation to the budget when the reallocation comes through and will bring the information to DCAC for the funding.

6. 1999-2005 Reconciliation Update

A memo from Jeanne Groen dated June 12, 2008 regarding "Deferred Compensation Reconciliation of Control Account" is filed. Jeanne Groen reported that the processes put in place in January and February have been reviewed to ensure that the reports that are going out and the funding that is going out to fund those allocations to participant accounts are correct. The evaluation effort has been completed.

Regarding the reconciliation of 1999 to 2007 contributions, Jeanne Groen reported that we have not received all the information from ICMA and the part time information from ING. We anticipate having all the information by the end of this week. Once we have the data and start working on it then we will have an idea of how long it will take to complete the project. We haven't given you a project timeline because we are not sure yet, but we are making progress.

7. Discussion and Direction to Staff on Fund Proxy Votes

Paul Hackelman is filling in for Bill Tugaw. He reported that amongst all their clients there are only two who vote on proxies, the County of Tulare and City of Honolulu.

Jeanne Groen reported that the issue came up because a proxy was received in the office and we didn't have a procedure on how to deal with it. Member Cooper inquired if this had been discussed with the Retirement Department and the response was no.

Paul Hackleman explained that these proxies go to SST for review and recommendation and the recommendations go back to the Chairs. The Committee discussed timing issues related to receipt of the proxy and the date required for response. The Committee meets only once a month and there are guidelines with respect to the agenda going out.

Peter Belardinelli from ING stated that generally there is a month from when the proxy is received until the response is required so the Committee would be on a relatively tight time frame. They do encourage all their customers to return the proxies and the larger plans do



return their proxies. Member Cooper asked Jeanne Groen to do some research on the issue and come back with a recommendation as to what might work well.

Member Glassey suggested placing the item on the agenda as a standing agenda item. Patricia Diegnan stated that would work as long as within 72 hours or as soon as you know the specifics, the name of the company is added to the agenda.

8. Discussion and Direction to Staff on NAGDCA Conference Attendance

Jeanne reported that there is a report on the packet detailing the cost of the conference. The cost will be approximately \$2600 per person. Direction is needed from the Committee members that plan to attend so that reservation confirmations can be made. Chair Roubineau states that he does not anticipate going. Member Glassey and Conrad said they would not be going. Chair Roubineau said he would like to encourage the trustees to attend. Member Cooper suggested that the members that attend coordinate the presentations they attend so they can be agendized to report back at the retreat. Paul Hackleman stated that at least three SST representatives will be attending.

9. Financial Report for 3rd Quarter

"Deferred Compensation Plan Status Report, Third Quarter, FY 2007-08" is filed. Adora Gailo stated the report is for January – March, 2008. She reviewed revenue and expenditures. She reported that surplus was reduced by over \$20,000. The majority of the expenses were the NAGDCA conference.

The Committee discussed Roll-outs and various means to communicate to plan participants the benefits of retaining their funds with the City. Peter Belardinelli explained that they discuss it with the participant but they have to process the paper work right away. It was agreed that a letter should be sent out from the City to the participants when they request the forms. Member Cooper suggested perhaps sending it out as an e-mail.

10. Verbal Update regarding ING's Stable Value Fund Manager RFP

Gary Bozin stated that Peter Belardinelli would be handling this item. Peter Belardinelli reported that this is a follow up to what he mentioned a few meetings ago and he wanted to give the Committee an update. They are having discussions with SST regarding performance of our Stable Value Fund and are watching the performance of that account. It's been a very difficult Bond market; it's an unprecedented situation during the 1st quarter of this year. We sent out an RFP for fixed income managers. We received 22 responses. At this point we've gone through the RFP responses and have ranked them. We've selected 3 managers within each specific discipline. Right now the core plus strategy is the strategy behind managing the Stable Value Fund, but there are other strategies such as core strategy, etc. He expects to get the recommendations back to Committee later on in the year. Given the amount in the fund, you may decide to go with two or three firms rather than just one. Generally you would want \$75 to \$100 million per manager to get them interested in managing assets. We will keep everyone informed as we get deeper in the process.



11. Review, Discuss and Approved Proposed Revisions to Investment Policy and Procedures Statement

Member Cooper stated that she thought it would be beneficial for the Committee to have all the minutes from the Investment Subcommittee as part of the packet for discussion. I don't think all of those have been distributed. Also Member Busse is not here today and she was at the last meeting. There are only four of us here so I would like to defer it. There are some substantive changes and I would like to have everyone here. Chair Roubineau concurs and the item is deferred. He requested the Jeanne Groen highlight the changes that are recommended for next meeting.

INFORMATIONAL ITEMS

12. Legislative Activities

Paul Hackleman states there is nothing to report.

13. ING Service Logs for May 2008

The report "Service and Activity Log – Voluntary Plan, May 2008" was filed. Gary Bozin reported that we are getting some roll-overs from new Police Officers and new Firefighters, unfortunately the roll-outs are people that are retiring and they have the larger balances but we're working to make a dent in that. We had a good month on new enrollments and these enrollments were from the new orientation meetings, especially the new Police Office and Firefighter academies. There are Morningstar meetings again for July. Some were done in June but Morningstar is doing their "Call to action Letter" that announces the new program so we wanted to time meetings with that letter starting July 7th.

14. Deferred compensation Loan Program Usage

Gary Bozin stated that they added the "Loan Activity" to the service logs. They did work on an attachment which is not in this report but will be in next report. The attachment will give a breakdown on the loan activity. In looking at current information of the loans within a department versus the percentage of employees in a department, there wasn't any shocking information. The loans have tapered off. They have put together a new loan flyer explaining the consequences of loans to send out when loan packets are requested.

15. May 2008 Fund Performance Summary

Courtney Phommachack reported that there are two summaries in the packet. The first one is the May return that we sent out to the employees on the deferred compensation distribution list and also to intra/internet website to be posted. The second one is the one we will be updating for the next mailing to the employees. The new format is aligned with the investment policies and will be used effective in July. Member Cooper explained this was part of the investment subcommittee discussion so that there is a better crosswalk between the information the employees see on a monthly basis and the investment policies.

16. Next Meeting: July 24, 2008, City Hall, Wing, W-118, 9:00 a.m.

PUBLIC COMMENTS

None



UNFORESEEABLE EMERGENCY WITHDRAWAL

17. None

ADJOURNMENT

M.S.C. (Glassey/Taylor) to adjourn meeting.

A handwritten signature in black ink, appearing to read "Pascal Roubineau". The signature is written in a cursive, flowing style.

Pascal Roubineau, Chair
Deferred Compensation Committee

ATTEST:

A handwritten signature in black ink, appearing to read "Jeanne Groen". The signature is written in a cursive, flowing style.

Jeanne Groen, Staff
Deferred Compensation

NOTE: M.S.C. MEANS MOTION SECONDED AND CARRIED, UNLESS OTHERWISE INDICATED, MOTION PASSED UNANIMOUSLY.